

**ALASKA CONSERVATION  
FOUNDATION**

Audited Financial Statements  
Years Ended June 30, 2017 and 2016

# ALASKA CONSERVATION FOUNDATION

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## Independent Auditor's Report

Board of Trustees  
Alaska Conservation Foundation  
Anchorage, Alaska

**Report on the Financial Statements** – We have audited the accompanying statements of financial position of Alaska Conservation Foundation (a nonprofit organization) as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Alaska Conservation Foundation's management.

**Management's Responsibility for the Financial Statements** – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility** – Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaska Conservation Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Foster and Company, LLC*

Foster and Company, LLC  
Wasilla, Alaska

December 12, 2017

**ALASKA CONSERVATION FOUNDATION**

Statements of Financial Position

June 30, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash and cash equivalents, unrestricted	\$ 215,648	\$ 206,422
Cash and cash equivalents, restricted	1,129,917	1,191,436
Grants and public support receivable	-	20,000
Prepaid expenses and other assets	13,742	39,530
Investments, at fair value (Note 4)	8,983,073	8,547,231
Cost method investments (Note 5)	32,000	32,000
Cash surrender value of life insurance policies	51,861	48,624
Furniture and equipment, net	7,003	11,049
<b>Total Assets</b>	<b>\$ 10,433,244</b>	<b>\$ 10,096,292</b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 46,092	\$ 15,047
Accrued payroll and related liabilities	78,719	63,859
Grants and awards payable	44,000	89,728
Gift annuity liability	47,485	60,506
<b>Total Liabilities</b>	<b>216,296</b>	<b>229,140</b>
<b>Net Assets</b>		
Unrestricted:		
Board designated for endowments (Note 7)	715,577	902,884
Undesignated	1,051,057	878,765
<b>Total unrestricted net assets</b>	<b>1,766,634</b>	<b>1,781,649</b>
Temporarily restricted (Note 7 and 8)	2,563,010	2,325,486
Permanently restricted (Note 7 and 9)	5,887,304	5,760,017
<b>Total Net Assets</b>	<b>10,216,948</b>	<b>9,867,152</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 10,433,244</b>	<b>\$ 10,096,292</b>

See Independent Auditor's Report and accompanying notes to the financial statements

**ALASKA CONSERVATION FOUNDATION**

Statements of Activities  
For Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><i>Public Support and Revenue</i></b>				
Public support	\$ 811,118	\$ 1,206,169	\$ 127,287	\$ 2,144,574
Investment income, net of fees (Note 6)	411,451	561,280	-	972,731
Events	1,615	-	-	1,615
Other income	3,351	-	-	3,351
Net assets released from restriction	1,529,925	(1,529,925)	-	-
<b><i>Total public support and revenue</i></b>	<b><u>2,757,460</u></b>	<b><u>237,524</u></b>	<b><u>127,287</u></b>	<b><u>3,122,271</u></b>
<b><i>Expenses</i></b>				
<i>Program services:</i>				
Grants and awards	1,299,188	-	-	1,299,188
Programs	635,293	-	-	635,293
<b><i>Total program services</i></b>	<b><u>1,934,481</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,934,481</u></b>
<i>Support services:</i>				
Management and general	604,293	-	-	604,293
Fundraising	228,680	-	-	228,680
Depreciation	4,046	-	-	4,046
Inkind expenses	975	-	-	975
<b><i>Total support services</i></b>	<b><u>837,994</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>837,994</u></b>
<b><i>Total expenses</i></b>	<b><u>2,772,475</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,772,475</u></b>
Change in net assets	<u>(15,015)</u>	<u>237,524</u>	<u>127,287</u>	<u>349,796</u>
Net assets, beginning of year	<u>1,781,649</u>	<u>2,325,486</u>	<u>5,760,017</u>	<u>9,867,152</u>
Net assets, end of year	<u><u>\$ 1,766,634</u></u>	<u><u>\$ 2,563,010</u></u>	<u><u>\$ 5,887,304</u></u>	<u><u>\$ 10,216,948</u></u>

See Independent Auditor's Report and accompanying notes to the financial statements

**ALASKA CONSERVATION FOUNDATION**

Statements of Activities  
For Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Revenue</b>				
Public support	\$ 724,618	\$ 2,862,362	\$ 83,912	\$ 3,670,892
Investment income (Note 6)	6,961	536,050	-	543,011
Events	12,402	-	-	12,402
Other income	54,000	-	-	54,000
Net assets released from restriction	2,814,014	(2,814,014)	-	-
<b><i>Total public support and revenue</i></b>	3,611,995	584,398	83,912	4,280,305
 <b><i>Expenses</i></b>				
<i>Program services:</i>				
Grants and awards	2,121,843	-	-	2,121,843
Programs	742,974	-	-	742,974
<i>Total program services</i>	2,864,817	-	-	2,864,817
 <i>Support services:</i>				
Management and general	590,187	-	-	590,187
Fundraising	311,215	-	-	311,215
Depreciation	3,948	-	-	3,948
Inkind expenses	8,837	-	-	8,837
<i>Total support services</i>	914,187	-	-	914,187
<b><i>Total expenses</i></b>	3,779,004	-	-	3,779,004
Change in net assets	(167,009)	584,398	83,912	501,301
Net assets, beginning of year	1,948,658	1,741,088	5,676,105	9,365,851
Net assets, end of year	\$ 1,781,649	\$ 2,325,486	\$ 5,760,017	\$ 9,867,152

See Independent Auditor's Report and accompanying notes to the financial statements

**ALASKA CONSERVATION FOUNDATION**

Statements of Functional Expenses

For Years Ended June 30, 2017 and 2016

<u>2017</u>	<u>Grants and Awards</u>	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and Awards	\$ 1,299,188	\$ -	\$ -	\$ -	\$ 1,299,188
Personnel	-	427,849	362,016	166,902	956,767
Professional fees	-	48,931	122,322	3,535	174,788
Occupancy	-	55,768	56,894	60	112,722
Travel	-	50,787	21,975	8,201	80,963
Development and outreach	-	36,924	22,991	30,630	90,545
Office	-	15,003	15,665	12,447	43,115
Other expenses	-	31	2,430	6,905	9,366
	<u>1,299,188</u>	<u>635,293</u>	<u>604,293</u>	<u>228,680</u>	<u>2,767,454</u>
Depreciation	-	-	4,046	-	4,046
Inkind expenses	-	975	-	-	975
<b>Total Expenses</b>	<b>\$ <u>1,299,188</u></b>	<b>\$ <u>636,268</u></b>	<b>\$ <u>608,339</u></b>	<b>\$ <u>228,680</u></b>	<b>\$ <u>2,772,475</u></b>

<u>2016</u>	<u>Grants and Awards</u>	<u>Programs</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and Awards	\$ 2,121,843	\$ -	\$ -	\$ -	\$ 2,121,843
Personnel	-	491,519	362,360	226,122	1,080,001
Professional fees	-	59,712	113,033	26,121	198,866
Occupancy	-	62,396	63,089	-	125,485
Travel	-	37,299	10,918	22,058	70,275
Development and outreach	-	29,155	23,003	28,528	80,686
Office	-	3,250	2,433	3,192	8,875
Other expenses	-	59,643	15,351	5,194	80,188
	<u>2,121,843</u>	<u>742,974</u>	<u>590,187</u>	<u>311,215</u>	<u>3,766,219</u>
Depreciation	-	-	3,948	-	3,948
Inkind expenses	-	1,975	6,697	165	8,837
<b>Total Expenses</b>	<b>\$ <u>2,121,843</u></b>	<b>\$ <u>744,949</u></b>	<b>\$ <u>600,832</u></b>	<b>\$ <u>311,380</u></b>	<b>\$ <u>3,779,004</u></b>

See Independent Auditor's Report and accompanying notes to the financial statements

**ALASKA CONSERVATION FOUNDATION**

Statements of Cash Flows

For Year Ended June 30, 2017 and 2016

	2017	2016
<b><i>Cash Flows from Operating Activities</i></b>		
Change in net assets	\$ 349,796	\$ 501,301
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	4,046	3,947
Realized\unrealized gain on investments	(817,061)	(449,478)
Contributions to endowment fund	(127,287)	(83,912)
Changes in operating assets and liabilities:		
Grants and public support receivable	20,000	42,487
Prepaid expenses and other assets	25,788	(6,266)
Cash surrender value of life insurance policies	(3,237)	(3,385)
Accounts payable	31,045	(27,445)
Gift annuity liability	(13,021)	(3,282)
Accrued payroll and related liabilities	14,860	(39,452)
Awards payable	(45,728)	79,728
<b><i>Net Cash for Operating Activities</i></b>	<b>(560,799)</b>	<b>14,243</b>
<b><i>Cash Flows from Investing Activities</i></b>		
Purchase of investments	(3,220,305)	(1,354,496)
Sale of investments	3,601,524	1,442,136
Purchase of furniture and equipment	-	(5,850)
<b><i>Net Cash for Investing Activities</i></b>	<b>381,219</b>	<b>81,790</b>
<b><i>Cash Flows from Financing Activities</i></b>		
Contributions to endowment fund	127,287	83,912
<b><i>Net Cash for Financing Activities</i></b>	<b>127,287</b>	<b>83,912</b>
<b><i>Net change in cash and cash equivalents</i></b>	<b>(52,293)</b>	<b>179,945</b>
<b><i>Cash and Cash Equivalents, beginning of year</i></b>	<b>1,397,858</b>	<b>1,217,913</b>
<b><i>Cash and Cash Equivalents, end of year</i></b>	<b>\$ 1,345,565</b>	<b>\$ 1,397,858</b>

See Independent Auditor's Report and accompanying notes to the financial statements



**ALASKA CONSERVATION FOUNDATION**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

**1. History**

The Alaska Conservation Foundation (the Foundation) is a nonprofit corporation organized under the laws of the State of Alaska. The Foundation makes grants, conducts programs and receives funds to protect the integrity of Alaska's ecosystems and to promote sustainable livelihoods among Alaska communities and people. Unrestricted funds raised by the Foundation are used exclusively for those purposes or are granted to other organizations with similar goals. The Foundation also solicits and administers grants to be used for donor-advised issues that are consistent with the Foundation's purpose.

**2. Summary of Significant Accounting Policies**

*Use of Estimates*

In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, the Foundation management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the statement of financial position and public support, revenue and expenses for the period. Actual results could differ from those estimates. The more significant accounting and reporting policies and estimates applied in the preparation of the accompanying financial statements are discussed below.

*Basis of Presentation*

The financial statements are presented on the accrual basis of accounting. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are reported as follows:

*Unrestricted Net Assets*

Defined as net assets that are not subject to donor-imposed stipulations. The Board of Trustees designates a portion of the Foundation's cumulative investment return for support of current operations; any remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool and all investment income earned by investing cash in excess of daily requirements are used to support current operations.

*Temporarily Restricted Net Assets*

Defined as net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets*

Defined as net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned for charitable grants and purposes consistent with the donor imposed stipulations.

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**ALASKA CONSERVATION FOUNDATION**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

**2. Summary of Significant Accounting Policies, *continued***

***Cash and Cash Equivalents***

The Foundation considers demand deposits and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents, except for those similar securities held in investment accounts.

***Investments***

Investments in marketable securities are reported at their fair values in the statement of financial position. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses and interest earned on investments are recorded as unrestricted activity unless the earnings are subject to donor-imposed restrictions. Other long-term investments include land. Land is carried at cost, which was established as the fair value on the date the assets were donated to the Foundation.

***Grants and Public Support Receivable***

An allowance for doubtful accounts has not been established, as all receivables are considered fully collectible.

***Furniture and Equipment***

Furniture and equipment with a useful life greater than one year and a cost of \$5,000 or more are recorded at cost or, if acquired by donation, at fair market value at the date of acquisition. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets, which range from three to seven years, using the straight-line method and accelerated methods.

***Gift Annuities***

Assets received under gift annuity agreements are recorded at fair value. The gift annuity liability is recorded at the present value of the benefits expected to be paid to the donor. A contribution is recorded for the difference between the fair value contributed and the initial annuity liability.

***Public Support and Revenues***

Contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions whose restrictions are met in the same reporting period as contributions are received are reported as temporarily restricted public support and grants and net assets released from restriction in the year received. Grants from donors typically require an application and contain reporting requirements.

Contributions of in-kind goods or professional services, if measurable and significant, are recorded at fair value at time of receipt. In 2017 and 2016, the Foundation received \$975 and \$8,837, respectively, of in-kind services.

**ALASKA CONSERVATION FOUNDATION**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

**2. Summary of Significant Accounting Policies, *continued***

***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited by those mixed-purpose expenditures.

***Income Taxes***

The Foundation is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined by the Internal Revenue Service to be "not a private foundation" within the meaning of Section 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code. Unrelated business activity was not substantial in 2016 or 2015. The Foundation applies a more-likely than-not recognition threshold for all tax uncertainties. Management has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements for all periods presented. Tax years 2012 through 2015 are still subject to examination by the IRS.

**3. Cash and Cash Equivalents**

The Foundation is subject to counterparty risk on certain cash balances held at a financial institution. The Foundation places its cash with high credit quality financial institutions. The Foundation maintains bank accounts at financial institutions, which at times may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2017 and 2016, approximately \$1,169,903 and \$903,442 were subject to custodial credit risk, respectively.

**4. Investments at Fair Value**

Long-term investments restricted to a permanent endowment (Note 9) along with other investments held for the Foundation's operations are maintained in portfolios managed by professional investment managers. A summary of the Foundation's long-term investments as of June 30 follows:

<i>June 30, 2017</i>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 103,795	\$ 103,795
Alternative strategies mutual funds	20,030	20,280
Common stocks	3,654,734	6,375,251
Fixed income	25,486	25,030
Corporate and government bonds	2,347,001	2,363,339
Equity index mutual funds	56,770	63,073
Real estate investment funds	7,165	7,150
Accrued income	-	25,155
	<u>\$ 6,214,981</u>	<u>\$ 8,983,073</u>

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**ALASKA CONSERVATION FOUNDATION**  
**Notes to the Financial Statements**  
**June 30, 2017 and 2016**

**4. Investments at Fair Value, *continued***

<i>June 30, 2016</i>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 125,891	\$ 125,891
Alternative strategies mutual funds	11,422	10,832
Common stocks	3,431,435	5,366,476
Bond mutual funds	35,410	35,505
Corporate and government bonds	2,746,782	2,998,387
Real estate investment funds	9,559	10,140
	<u>\$ 6,360,499</u>	<u>\$ 8,547,231</u>

A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents investments that are measured at fair value on a recurring basis at June 30:

<i>June 30, 2017</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 103,795	\$ -	\$ -	\$ 103,795
Alternative strategies mutual funds	20,280	-	-	20,280
Common stocks	6,375,251	-	-	6,375,251
Fixed income	25,030	-	-	25,030
Corporate and government bonds	-	2,363,339	-	2,363,339
Equity index mutual funds	63,073	-	-	63,073
Real estate investment funds	-	7,150	-	7,150
Accrued income	25,155	-	-	25,155
	<u>\$ 6,612,584</u>	<u>\$ 2,370,489</u>	<u>\$ -</u>	<u>\$ 8,983,073</u>

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**ALASKA CONSERVATION FOUNDATION**  
**Notes to the Financial Statements**  
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**4. Investments at Fair Value, *continued***

<i>June 30, 2016</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 125,891	\$ -	\$ -	\$ 125,891
Equity index mutual funds	-	-	-	-
Alternative strategies mutual funds	10,832	-	-	10,832
Common stocks	5,366,476	-	-	5,366,476
Bond mutual funds	35,505	-	-	35,505
Corporate and government bonds	-	2,998,387	-	2,998,387
Real estate investment funds	-	10,140	-	10,140
	<u>\$ 5,538,704</u>	<u>\$ 3,008,527</u>	<u>\$ -</u>	<u>\$ 8,547,231</u>

**5. Cost Method Investments**

Cost method investments at June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 32,000	\$ 32,000

These investments are recorded at cost as the fair value as it is impractical to estimate fair value. Management has evaluated whether events or changes in circumstances have occurred that may have a significant adverse effect on fair value. No such events or changes have occurred for the land investment.

**6. Investment Income**

Investment income is generated from investments at fair value, cost method investments, and land held for resale. Investment income for the years ending June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 207,174	\$ 188,666
Net realized gain	229,437	360,920
Net unrealized gain (loss)	598,890	(1,921)
Less: Investment fees	<u>(62,770)</u>	<u>(69,154)</u>
	<u>\$ 972,731</u>	<u>\$ 543,011</u>

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**ALASKA CONSERVATION FOUNDATION**  
**Notes to the Financial Statements**  
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**7. Endowment Funds**

The Foundation's endowment consists of a number of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Uniform Prudent Management of Institutional Fund Act (UPMIFA) was signed into law in the State of Alaska on June 14, 2010 with an effective date of September 8, 2010. During the years ended June 30, 2017 and 2016, the Board of Trustees of the Foundation has interpreted the State of Alaska's laws governing endowments as permitting the Board, absent donor stipulations to the contrary, to adopt prudent spending policies with regards to the endowments that consider the donor' intent that the endowment fund continue permanently, the purposes of the fund, and the relevant economic factors impacting the fund. Except to the extent required by the donor, including losses related to specific investments that the donor requires the organization to hold in perpetuity, the following apply: (a) investment gains are classified as increases in temporarily restricted net assets; (b) investment losses are reductions in temporarily restricted gains if available; and (c) remaining losses are classified as reductions in unrestricted net assets.

Changes in endowment net assets are as follows:

	Donor permanently restricted endowment funds	Donor temporarily restricted endowment funds	Board designated and unrestricted funds	Total
<b>Balance, June 30, 2015</b>	\$ 5,644,105	\$ 930,397	\$ 1,618,361	\$ 8,192,863
Net investment return	-	404,655	80,796	485,461
Board-directed transfer	-	-	-	-
Contributions to endowment	83,912	-	-	83,912
Amount appropriated and/or expended	-	(308,004)	-	(308,004)
<i>Total change in endowment funds</i>	83,912	96,661	80,796	261,369
<b>Balance, June 30, 2016</b>	\$ 5,728,017	\$ 1,027,058	\$ 796,273	\$ 8,454,232
Net investment return	-	545,690	411,772	957,462
Board-directed transfer	-	-	(250,000)	(250,000)
Contributions to endowment	127,287	-	-	127,287
Amount appropriated and/or expended	-	(170,878)	(162,347)	(333,225)
<i>Total change in endowment funds</i>	127,287	374,812	(575)	501,524
<b>Balance, June 30, 2017</b>	\$ 5,855,304	\$ 1,401,870	\$ 1,698,582	\$ 8,955,756

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**ALASKA CONSERVATION FOUNDATION**  
**Notes to the Financial Statements**  
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**7. Endowment Funds, *continued***

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in temporarily restricted net assets were \$-0- and \$1,416 as of June 30, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations.

*Appropriation Policies*

Distributions will be made annually based on the spending rate established by the Board of Trustees or as explicitly stipulated by the donor. The current spending rate is 4.25% of the rolling average value of the fund as of March 31 for the preceding three fiscal years. In the event that an individual fund has been in existence for more than 1 year but less than three years, the percentage distribution for the next fiscal year will be based on the average of the fund's balance as of March 31 for the number of fiscal years that the fund has been in existence.

*Return Objectives and Risk Parameters and Strategies Employed for Achieving Objectives*

The investment objective of the Foundation is to ensure that the endowment funds exist in perpetuity, and provide for grant making in perpetuity. To attain this goal, the overriding objective is to maintain purchasing power. That is, net of spending, the objective is to grow the aggregate portfolio value at or above the rate of inflation over the Foundation's investment horizon through the preservation of capital, reasonable efforts to control investment risk, and adherence to investment discipline.

It is the policy for the Alaska Conservation Foundation to screen investments to exclude any companies whose businesses cause substantial environmental damage. The target range for exposure to stocks is 40% to 80% and the investment manager, Walden Asset Management, has discretion to determine the most appropriate allocation given the market conditions within the target range. Should the investment portfolio asset allocation exceed the approved ranges, the investment manager is expected to bring the portfolio into compliance with the investment guidelines as promptly and prudently as possible. In addition, the Foundation believes that it is necessary and desirable to maintain a prudent level of portfolio diversification. At the time of an asset purchase, no more than 5% of the equity portion of the fund shall be invested in the securities of any one company. Investment in any particular sector as defined by the S&P 500 shall not exceed 10 percentage points above the sector weight in that index. No more than 10% of the total fixed income investments (including cash) shall be invested in any one non-government issuer. There is no limitation on investment in direct obligations of the US Treasury or US Government Agency debt. The Finance and Investment Committee meets regularly to review investment portfolio performance and to monitor the investment manager's compliance with the guidelines established in the Investment Policy Statement.

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**8. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30 consisted of the following:

	2017	2016
Cash surrender value of life insurance policies	\$ 51,861	\$ 48,624
Time annuities	70,303	58,368
Grants and contributions restricted for purpose	1,038,976	1,191,436
Endowment (Note 7)	1,401,870	1,027,058
	\$ 2,563,010	\$ 2,325,486

**9. Permanently Restricted Net Assets**

Permanently restricted net assets at June 30 consist of assets restricted in perpetuity for a particular purpose by donors. The Foundation can spend earnings on these restricted net assets.

	2017	2016
Endowment (Note 7)	\$ 5,855,304	\$ 5,728,017
Land (Note 5)	32,000	32,000
	\$ 5,887,304	\$ 5,760,017

**10. Pension Plan**

The Foundation has a defined contribution pension plan, which covers all full-time employees who have been employed for 12 months. The Foundation contributes 5% of the covered employees' salaries plus a 2% match. These contributions totaled \$50,528 and \$62,000 for the years ended June 30, 2017 and 2016, respectively.

**11. Lease Obligations**

The Foundation leases office space and equipment under non-cancelable operating lease agreements that expire in February 2018. Rental expense was \$98,875 and \$100,567 for the years ended June 30, 2017 and 2016, respectively.

The following is a schedule by year of the future minimum lease payments required under the remaining terms in excess of one year as of June 30, 2017:

2018	64,971
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**12. Contingencies**

The Foundation participates in a number of grant programs that are subject to program compliance by the grantors. Any disallowed claims would become a liability of the organization. Management believes they are in compliance with all requirements, and the risk of noncompliance is minimal.

**14. Subsequent Events**

The Foundation evaluated subsequent events through December 12, 2017, which is when these financial statements were available to be issued. The Foundation is not aware of any other significant events that would have a material impact on the financial statements or require disclosure in the notes to the financial statements.